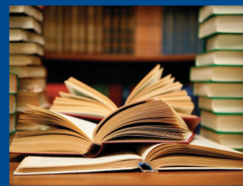
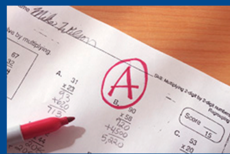


Oklahoma Teachers Retirement System

CLIENT HANDBOOK



OKLAHOMA TEACHERS RETIREMENT SYSTEM

CLIENT HANDBOOK

Describing Plan Provisions as of

January 1, 2010

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ABOUT THE OKLAHOMA TEACHERS RETIREMENT SYSTEM

How do I contact the Oklahoma Teachers Retirement System?

Business Hours: 8:00 am – 5:00 pm; Monday – Friday

Phone: (405) 521-2387 or toll-free at (877) 738-6365

Website: www.ok.gov/trs E-mail: mail@trs.ok.gov

Mailing Address: Oklahoma Teachers Retirement System
P.O. Box 53524
Oklahoma City, OK 73152-3524

Building Location: Oliver Hodge Education Building
2500 North Lincoln Blvd., 5th floor
Oklahoma City, OK 73105

Visitor parking is located on north side of the Capitol Complex between the Oliver Hodge Education Building and the Tax Commission.

Who's Who at the Oklahoma Teachers Retirement System?

Board of Trustees:
James E. Smith, Chairman, Shawnee
Michael L. Simpson, Vice Chairman, Ponca City
R.A. "Dick" Neptune, Secretary, Lawton
Sherrie L. Barnes, Sand Springs
Michael Clingman, Oklahoma City
Cathy A. Conway, Durant
Odilia M. Dank, Oklahoma City
Bruce DeMuth, Stillwater
Sandy Garrett, Oklahoma City
Richard Gorman, McAlester
Galeard W. Roper, Elk City
Billie Stephenson, Marlow
Gary Trennepohl, Ph.D., Tulsa

Administration

James R. Wilbanks, Ph.D. Executive Secretary

Joe Ezzell, CPA, Assistant Executive Secretary

Client Services

Sharron Coffman, Director of Client Services

Finance/Accounting

Edward Romero, Secretary-Treasurer

Information Technology

Rocky Cooper, Director of Information Technology

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What is the purpose of the System?

The Oklahoma Teachers Retirement System (the System) is a state agency that administers retirement assets and provides income security through a monthly retirement benefit payable throughout the lifetime of each of our clients. Our clients are the educators and employees working in Oklahoma public education institutions and agencies. The System is committed to fulfilling the mission statement and mission action plan as set forth by the Board of Trustees:

MISSION STATEMENT

It is the mission of the Oklahoma Teachers Retirement System to provide outstanding customer service to all of our active and retired Clients.

MISSION ACTION PLAN

- *Provide excellent communication and education to our Clients.*
- *Protect and promote the financial interests of our Clients*
- *Consistently improve performance*
- *Pursue pro-active solutions and innovation*
- *Promote an environment of trust and cooperation where Colleagues are encouraged to reach their potential*

What is the purpose of the Client Handbook?

This handbook is an important part of our commitment to provide our Clients with valuable information about their benefits and retirement. Do not rely solely upon this handbook to make any decision regarding your retirement. Please contact the Oklahoma Teachers Retirement System directly with any questions you may have about your benefits and retirement. This publication, printed by the Central Printing Division of the Department of Central Services, is issued by the Oklahoma Teachers Retirement System.

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What retirement plans are managed by the System?

Defined Benefit Plan: The System manages the defined benefit retirement plan. This plan is qualified under Section 401(a) of the Internal Revenue Code. Eligible retirees of the System's 401(a) plan receive a monthly benefit throughout their lifetime through a formula based on years of service and the final average salary of the client. The formula gives retirees a percentage of their salary as a retirement benefit. The more years of service the client has at retirement, the greater the percentage of salary the client will receive at retirement. This handbook is provided to explain the System's 401(a) defined benefit plan.

Defined Contribution Plan: The System also offers a 403(b) tax-sheltered retirement savings plan. Clients may participate in this plan *in addition to* the 401(a) defined benefit plan if approved by their district. The 403(b) plan is administered by professionals through ING Life Insurance and Annuity Company. Because Oklahoma Teachers' Retirement is one of ING's largest clients, participants may enjoy greater benefits, options, and flexibility than ING could offer to an individual client. Customer Service representatives are available to assist you Monday-Friday from 7:00 am to 8:00 pm by calling 866-795-4746. To learn more, please visit www.OTRS403b.com.

What is the three-legged stool of retirement planning?

The concept of retirement income from three sources is sometimes referred to as "the three-legged" stool by many financial planners. The fixed monthly retirement benefit from the System's 401(a) plan, when combined with Social Security Benefits and income from a defined contribution plan, such as the 403(b) plan, could be the three-legged stool to provide retirees with a steady stream of income to replace the income earned before retirement.

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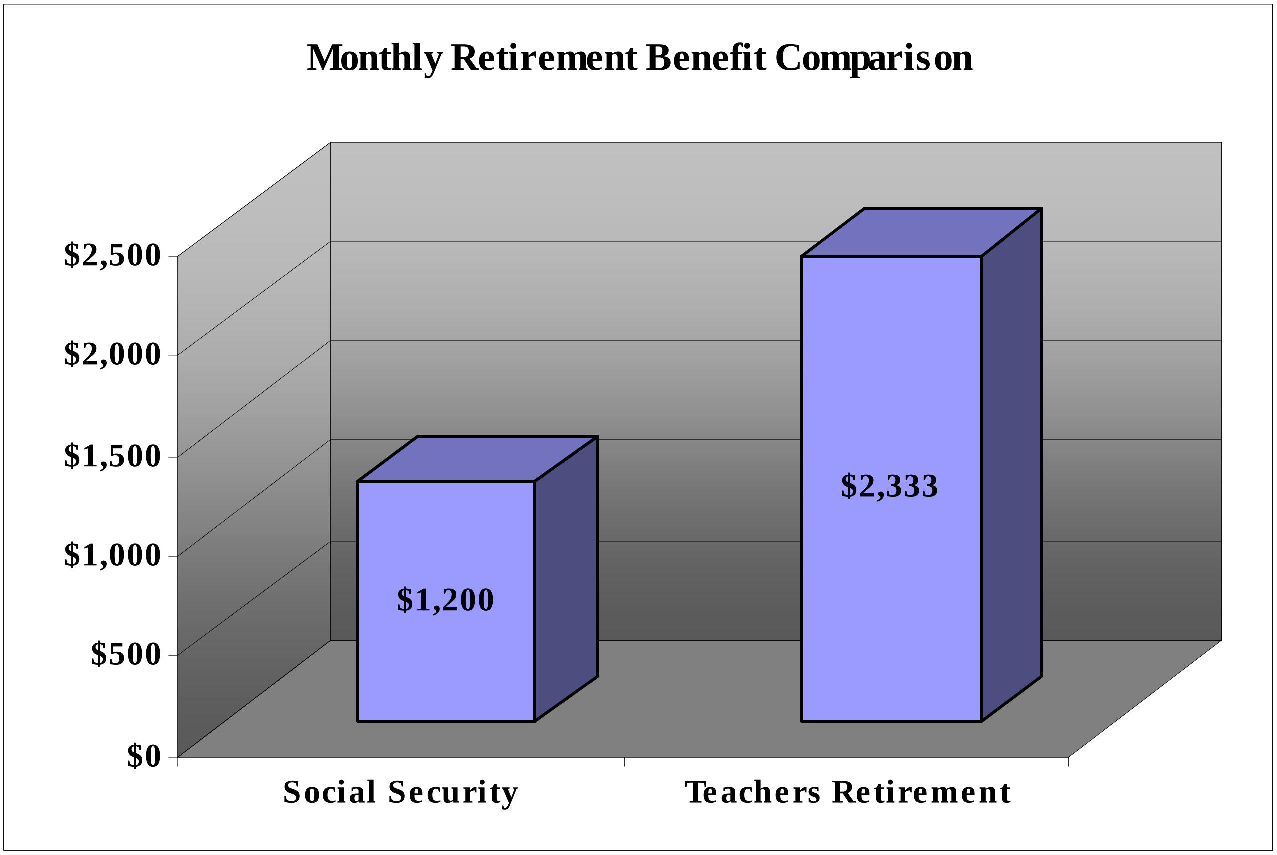
How does the Oklahoma Teachers Retirement System defined benefit amount compare to other retirement benefits?

The System's 401(a) defined benefit is almost twice as much when compared to the Social Security benefit. The example below illustrates the retirement benefits for a teacher that retires in May 2010 at age 62 with 35 years of service and a final average salary at retirement of $40,000.



If this teacher were to purchase a retirement annuity at age 62 from an insurance company that provided the same Teachers Retirement monthly benefit of $2,333 per month for life, it could cost over $450,000.

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MEMBERSHIP PROVISIONS

Who is eligible to participate in the 401(a) plan?

A client of the System must be a permanent employee who works at least half-time (20 hours/week minimum) and earns at least $4000/year working for an employer that participates in the Oklahoma Teachers Retirement System. However, clients who participate in another public or alternative retirement plan which will provide benefits may not receive service credit in the System for that same employment service.

How do I enroll in the 401(a) plan?

To enroll in the System's 401(a) plan, contact your payroll officer at the school or agency, complete the 1A Personal Data form (also available online) for enrollment, and ensure contributions are remitted on your behalf to the Oklahoma Teachers' Retirement System.

How are contributions remitted to the System?

Contributions are remitted through public education employers. If the employer does not pay the retirement contributions as a fringe benefit, then the client may request employer to submit the remittances for employee's share through payroll deduction. The employee's contribution rate is 7% of *regular annual compensation* as reflected in the Client's annual statement. Contributions must be remitted on the full salary earned each fiscal year to receive service credit for that year. Employer must also remit employer's share of contributions (fee paid to the general fund) for all active, contributing employees and all retirees (retired under this system) that return to employment.

What is Regular Annual Compensation?

Regular annual compensation is the salary used for calculating the retirement benefit. Regular annual compensation is defined as wages plus employer-paid fringe benefits (not flexible benefit allowance paid by other sources). Contributions must be remitted on all regular annual compensation, including additional duties and secondary employment or none of the additional salary earned may be used in the salary calculation. Contributions may not be paid on more than what is actually earned. Reimbursements for travel, housing or other expense; stipends for national certification or academic achievement, and payment for unused vacation or sick leave, or any other payment, when made for reason of termination or retirement, shall not be included as regular annual compensation.

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May I terminate membership in the 401(a) plan?

If you are a client whose membership in the System is optional, and you discontinue your contributions or fail to resume contributions during eligible employment, your membership will be terminated. You may request a refund of pre-tax contributions after you terminate employment or turn age 62, whichever comes first. Service associated with an optional withdrawal may not be reinstated at a later date, even if the client later rejoins the System at the beginning of a new school year. Only new service years will count toward vesting.

May I withdraw my account?

Upon termination of employment, a client may withdraw the accumulated contributions remitted to their account. A client may request a withdrawal packet by phone or via the internet. Completed forms will not be accepted before client's last day on the job. The earliest one can receive a check is the 20th day of the 4th month after the last day on the job as verified by their former employer(s). Pre-tax funds may be rolled over to another tax-deferred account. The creditable service associated with the withdrawal may be reinstated at a later date if the client resumes public education employment. A redeposit of all withdrawn contributions must include all applicable interest.

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RETIREMENT ELIGIBILITY

How do I become vested in the System?

Clients who have accumulated a minimum of five years (no less than 54 months) of eligible service in the public schools of Oklahoma shall be vested in the System and considered eligible to receive a monthly retirement benefit at some future date. Contributory service, including redeposit of previously withdrawn service and service transferred from other Oklahoma public retirement systems, may count towards the five year minimum used to vest an account. Purchased service, unless it is adjunct service, may not count as vested service.

When will I be eligible to retire?

A client may be eligible for retirement in one of three different ways: A client may choose to take an early, reduced retirement benefit, qualify for disability retirement, or stay to qualify for a regular, unreduced retirement benefit. A client is eligible for a unreduced benefit when one of the following requirements is met:

Age 62. Vested with at least five years of contributory service.

Combination 80. Those who joined the System prior to 7/1/92 may retire when the client's age and years of creditable service total 80 points (i.e., age 60 + 20 service years = 80 points). Those who joined in the 1991-92 school year were required to remit contributions on the full 1991-92 salary prior to end of school year to qualify for the Combination 80. The highest three salaries are used in the calculation of the benefit (within cap elections).

Combination 90. Those who joined the System after 7/1/92 may retire when the client's age and years of creditable service total 90 points (i.e., age 55 + 35 service years = 90 points). Those who qualify under Combination 90 use the highest consecutive five contributory salaries to calculate their benefit in the retirement formula (limited to pre 7/1/95 salary cap elections).

When will I be eligible for early retirement?

Reduced benefits are available for clients who have not reached full retirement eligibility under regular retirement. The following conditions apply for reduced benefits:

- Thirty or more years of service, but less than age 50.
- Five or more years of vested service and between the ages of 55 and 61. Reduction factors vary (61.89% - 93.33%) depending on age at retirement.

NOTE: If a client terminates employment before reaching regular retirement age, the client may wait (without working) for additional birthdays to reach age of regular retirement and avoid the reduction factors used in calculating the early, reduced retirement benefit.

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What if I become disabled before normal retirement age?

Any client who is actively employed in the public schools of Oklahoma and is regularly contributing to the System may retire due to a medical disability which renders the client unable to perform regular employment duties provided such client:

- has at least ten (10) years of Oklahoma Contributory Service
- is not eligible for regular, unreduced retirement
- submits an application for disability retirement
- receives a Social Security Administration disability award, or is found by the System's Medical Board to be medically unable to continue regular duties.

A client who has, within the last twelve months, terminated employment or is on leave-without-pay status shall be eligible for disability retirement, providing the disability existed at the time the leave-without-pay status commenced or the termination of employment from the public schools of Oklahoma occurred, and the disability was the reason for the leave status or termination of employment. If a disability retirement is approved, the monthly maximum benefit is calculated the same as regular retirement. Client may also elect to take a reduced benefit under Option 2 for their spouse to receive the 100% joint survivor benefit upon death of client.

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RETIREMENT BENEFITS

How will my monthly benefit be computed at retirement?

Benefits are calculated using a defined retirement formula**:**
2% x (service years) x (final average salary) ÷ 12 = monthly benefit
The 2% factor is fixed; however, benefits will vary depending on the number of service years and the final average salary.

How are service years credited to my account?

Contributory Service is obtained by contributing the statutory percentage of regular annual compensation while employed. This service may be used to vest an account for retirement.

Creditable Service is all service that is credited to your account, including purchased service, and sick leave credit.

Full-Time Service **--** A client employed at least 30 hours per week who earns at least $4000/year shall receive one year of service for each year worked (120 work days minimum).

Half-time Service **--**A client employed at one-half the workload of other persons in similar positions or a client working at least 20 hours but less than 30 hours per week and earns at least $3001/year. Half-time service shall receive one-half (1/2) year of service credit for each year worked.

Combined Service **--** Fractions of school terms performed as an active, contributing client of at least one school month (one month = 20 days), in different school years, may be combined to make a total six full months (no less than120 contracted work days) for one year of creditable service. However, service in one school year may not be divided up into different service years. A partial year of service may also be combined with unused sick leave credit until the combined total is 120 days for another year of credit.

Sick Leave Credit is service credit for documented unused sick leave accrued while working in Oklahoma public education. A total of 120 days of unused sick leave may count as one year of service credit. Sick leave may also be combined with fractional service if the combined total is 120 days or more. Sick leave in excess of 120 days will not be recognized; however, if a client has 120 days or more of unused sick leave at retirement *plus* 90 days or more of combined work experience *and* completes the final contract year, the System will grant one year of credit for the 120 days of unused sick leave and round the 90+ days of work experience to count

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as an additional one year of service credit. The following restrictions apply on sick leave for service credit: Donated leave, sick leave that accrued during non-creditable service, or sick leave accrual in excess of 15 days per year will not count toward sick leave credit. Sick leave must be verified by employer at retirement or termination of employment. When sick leave cannot be verified, 10-year averaging (of sick leave usage during the last 10 years of employment) may be used to determine sick leave credit for early undocumented employment.

Purchased Service is subject to verification and documentation before a billing statement is prepared, including:

- *Substitute service* (120 day minimum in same school year)
- *Adjunct service* (18 or more credit hours in same school year)
- *Military service* (180 day minimum in same fiscal year)
- *Out-of-state service* (120 day minimum in same school year)
- *Prior Oklahoma service* (non-contributory service).
- *Service accrual during leave*--various time limits may apply in which to notify Teachers Retirement of intent to purchase and make payment to receive proper credit for leave taken under Workers' Compensation guidelines, when called into active, military duty (under USERRA), due to family leave (during child's first year of life), or due to official sabbatical from an Oklahoma school (requires employer to remit contributions for one-half pay during leave).

How is my Final Average Salary (FAS) Calculated?

Regular Annual Compensation**.** Regular annual compensation is the salary used for calculating the retirement benefit. Review pages 6-7 of this handbook for more details on what is included as salary in the calculation of the retirement benefit and what is not.

Membership Date**:** Combination 80 clients (joined prior to 7/1/92) use their highest three salaries in the average salary calculation. Combination 90 clients use their highest consecutive five salaries in the average salary calculation.

Employer**:** Salaries for employees in elementary & secondary schools, career technology centers, two-year colleges, and state education agencies may be calculated in a different way than the salaries of employees who work at regional (4-year) or comprehensive universities (OU/OSU) due to application of salary caps and/or ability to participate in the Education Employees Service Incentive Program (EESIP).

Salary Cap Elections: Salaries are calculated based on the highest salaries; however, if the highest salaries exceed the salary cap elections or limits in place prior to 7/01/1995, then a multi-tiered calculation will result.

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How are salary caps applied in the benefit calculation?

Prior to July 1, 1995, all contributions were limited to salary caps. Options were given to remit on low base or high base:

- $7,800 low base vs. $10,000 high base (pre- 6/30/79),
- $25,000 low base vs. $40,000 high base (7/1987 – 6/95),
- Salaries after 6/30/95 are uncapped for all clients, except OU & OSU employees who may have a cap until 7/1/07.

The following examples illustrate the difference that the salary cap makes in the retirement benefit calculation for a client that joined the system on 7/01/1974. Both examples also assume:

Retirement Date**: 7/01/04 (**with 30 years of service)
Employer **–**K-12 School or Technology Center
High 3 Salary Average – $65,000

Example 1: Low-Base Final Average Salary Calculation
Contributions stopped at a low-based salary cap prior to 7/1/95, salary caps remain when the FAS is calculated at retirement.

Service	# Yrs	x 2%	x Salary	÷ 12	= Monthly Benefit
7/74 - 6/79	5	x 2%	$ 7,800	÷ 12	$65.00
7/79 - 6/95	16	x 2%	$25,000	÷ 12	$666.67
9/95 - 6/04	9	x 2%	$65,000	÷ 12	$975.00
TOTALS	**30**	**x 2%**	**$34,133**	**÷ 12**	**$1,706.65**

Example 2: High-Base Final Average Salary Calculation
Client paid on their full salary (up to maximum cap limit), so benefits are based on the highest cap for years prior to 7/1/95.

Service	# Yrs	x 2%	x Salary	÷ 12	= Monthly Benefit
7/74 - 6/95	21	x 2%	$ 40,000	÷ 12	$1400.00
7/95 - 6/04	19	x 2%	$65,000	÷ 12	$975.00
TOTALS	**30**	**x 2%**	**$47,000**	**÷ 12**	**$2,375.00**

How does EESIP remove the salary caps?

The Education Employees Service Incentive Plan (EESIP) provides an incentive to continue service beyond regular retirement eligibility. To participate in the EESIP plan, client must be on the high base cap at $40,000. EESIP provides an opportunity to wear away the salary cap by moving two years of service from the $40,000 salary cap tier to the uncapped salary cap tier for each year worked beyond July 1st of the school year that regular retirement eligibility is met. Years moved on the 2-for-1 EESIP plan increases the number of uncapped years used in the calculation of the Final Average Salary.

Example 3: Same client in Example 2, but this time client worked five years beyond combination 80.

Service	# Yrs	x 2%	x Salary	÷ 12	= Monthly Benefit
7/74 - 6/95	11	x 2%	$ 40,000	÷ 12	$733.33
EESIP	10	x 2%	$65,000	÷ 12	$1,083.33
9/95 - 6/04	14	x 2%	$65,000	÷ 12	$1,516.67
TOTALS	**35**	**x 2%**	**$57,143**	**÷ 12**	**$3,333.33**

Qualifiers for EESIP include:

- Actively contributing under a participating employer (elementary and secondary schools, career tech centers, two-year colleges, and state education agencies).
- Client must work at least one year (120 work day minimum) past the year regular retirement eligibility is reached.
- Client's uncapped average salary tier exceeds $40,000.
- Client's contributions prior to 7/1/1995 were remitted on maximum compensation level (full salary up to $40,000).
- Client pays the contribution deficit on years between 1987-88 and 1994-95 where the salary exceeded $40,000 (high base cap). No balance is due on service years where the salary was less than $40,000 or if the years (beginning with FY95 and move backward) are not counted in the uncapped range.

Why would I receive a billing statement?

Client may request a billing statement to increase either years of service or the final average salary used in retirement. Clients may request a retirement allowance estimate with and without payment of the billing statement to determine if the increase in retirement benefit would make the payment worthwhile. Billing statements are based on the due date of the bill. Delayed payment may result in a higher cost if paid at a later date.

What methods are used to pay billing statements?

Billing statements to purchase service must be paid as an active, contributing member or within 60 days of termination of employment. Billing statements for increasing salary do not have to be paid as an active contributing member. However, all billing statements must be paid one month prior to the retirement date. Credit for service or salary is adjusted when final payment is received. Payments may be paid with a personal check, a cashiers' check, rollover payment from another qualified retirement plan, and/or paid in installment payments through your employer. Contact us for proper forms to submit with payment.

RETIREMENT PLAN OPTIONS

What are the five basic retirement plans?

All retirement plan options with the 401(a) plan provide a lifetime benefit to client in addition to a $5,000 death benefit paid to the surviving beneficiary(ies). Clients with 30 years of service may also elect to receive a Partial Lump Sum Option (PLSO).

Maximum Option

- Largest retirement benefit. 100% of the retirement formula.
- Client Account balance is depleted by lump sum amount if PLSO elected, and then monthly by the gross retirement benefit.
- Without PLSO, the Client Account balance may last 2-3 years.
- The monthly retirement benefit will cease at death, and any remaining account balance will be paid to the beneficiary(ies).

Option 1

- Monthly benefit is slightly less than maximum option.
- Client Account balance is depleted by lump sum amount if PLSO is elected, and then depleted more slowly by an annuity amount.
- Without PLSO or EESIP, the account may last 11+ years.
- The monthly retirement benefit will cease at death, and the remaining account balance will be paid to the beneficiary(ies).

Option 2 (100% joint survivorship for sole annuitant)

- The least monthly benefit for the client & greatest benefit to the annuitant (the younger the annuitant, the lesser the monthly retirement benefit).
- Annuitant may be the client's spouse or someone else not more than 10 years younger than client. (Reduction based on annuitant's age in relation to client's age).
- Annuitant will continue to receive the same lifetime monthly benefit (100% joint survivorship) upon death of client.
- Annuitant is designated at retirement and is not eligible to change, but a different person may be named to receive the $5000 survivor benefit. However, if the annuitant predeceases the client, the client's retirement benefit will "pop up" (change) to the maximum option. A new beneficiary (but not a new annuitant) may be named to receive the balance of Client's Account and survivor benefit.

Option 3 (50% joint survivorship for sole annuitant)

- Monthly benefit is not reduced as much as it is for Option 2.
- Annuitant does not have to be client's spouse or within 10 years of the client's age; however, the younger the annuitant, the lesser the client's monthly benefit.
- Annuitant will continue to receive one half (50%) of the monthly retirement benefit for the rest of annuitant's life upon death of the client.
- Annuitant is designated at retirement and is not eligible to change, but a different person may be named to receive the $5000 survivor benefit. However, if the annuitant predeceases the client, the client's retirement benefit will "pop up" (change) to the maximum option. A new beneficiary (but not a new annuitant) may be named to receive the balance of Client's Account and survivor benefit.

Option 4

- Monthly benefit for client is less than amount under the Option 1 plan, but the beneficiary amount is usually greater.
- If client dies within 120 months of the retirement date, the beneficiary continues to receive the client's monthly benefit until the 120th monthly retirement benefit has been paid. If client lives 10 years, no balance is left for beneficiary.
- If beneficiary dies before client and before the 120th retirement payment, a different beneficiary may be listed to receive the balance of the 120 retirement payments.

What is a Partial Lump Sum Option (PLSO)?

Clients with 30 or more years of service credit are presented with an option to receive a portion of their retirement benefit in a lump sum payment at the beginning of their retirement. Clients may choose to forgo the lump sum amount and take their full retirement in monthly payments, or they may opt for a one-time, lump-sum payment equivalent to 12, 24, or 36 months of the maximum monthly benefit and agree to reduced lifetime monthly benefit. The reduction percentage depends on the age of the client and the lump sum election. A client that retires at age 62 will receive a reduced monthly benefit at approximately 90% with a 12-month lump sum; approximately 80% with a 24-month lump sum; and approximately 70% with a 36-month lump sum. The reduction percentage will apply to all future cost of living adjustments as well.

For those who elect the PLSO, the lump sum is paid from the Client's Account balance first, thereby reducing the contributions available for a beneficiary. Clients may wish to rethink an election for Option 1 retirement plan, since the Client Account balance may not last as long for a beneficiary as it would without the PLSO. The partial lump sum payment will be disbursed within 30 days of client receiving first retirement check, or once all proper documentation has been received by the System.

If a PLSO is elected, an application form and special tax notice will be sent for completion. Client may wish to consult with a tax accountant or financial advisor before retirement. Taxes (and possibly penalties) may greatly diminish the net amount paid for selecting the lump sum option. Clients may wish to reinvest the PLSO amount in another qualified retirement plan to avoid taxes and penalties; however, the amount of monthly benefit received in another qualified retirement plan may be less than the amount forfeited by selecting the PLSO. Once retired, clients may not change the option.

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RETIREMENT PROCESS

How do I request an estimate for retirement?

Clients may request an estimate or a projection of benefits for their retirement account by contacting us by phone, website, e-mail, or correspondence. The most accurate estimates are the ones that are requested 6-9 months prior to retirement. Please provide the following:

Contact information, including name, current address, current daytime phone number, and the last four digits of the Social Security number or the Q number (member identification number). Please do not include the Social Security number in e-mail messages as these are not secure.

Date of retirement is the first day of the retirement month, even if client works through the 10th of the same month. If a 9-or 10-month employee (i.e., teacher, bus driver) completes last day of work on or before June 10, the date of retirement will be June 1. This client may draw both retirement and paycheck (for prior service) through the summer. If an 11- or 12-month employee's last day of work is June 11, the retirement date will be July 1.

Annuitant's date of birth is used to calculate benefits in the event client opts for an annuitant to continue receiving lifetime benefit after death of client (joint annuitant under Option 2 or Option 3). The younger the annuitant selected, the greater the reduction of benefit for the client. Under Option 2, the annuitant may not be more than 10 years younger than client, unless it is the client's spouse.

Unused sick leave days may be combined with a partial year worked to obtain a year of credit if combined total is 120 days or more, or 120 days of unused sick leave may count as one year of credit. Sick leave may not be split apart or combined with more than one year. However, if client reports 120 days of unused sick leave (for one year of credit) and completes the final contract year, then a partial year of 90 days or more will round up as an additional year of service credit.

May I request more than one estimate for comparison?

Clients may request more than one estimate at a time in order to make decisions or comparisons between choices. Since just one estimate may present 20 or more choices, it is recommended that no more than two estimates be requested at a time. To make comparisons when deciding to buy service or to pay a billing statement, client may wish to request an estimate with and without payment or purchase. To decide whether to work another year or to retire this year, client may request estimates for two different retirement dates. Client may need to request additional estimates at a later date.

After receiving a retirement estimate, please feel free to contact the retirement counselor that calculated your estimate for explanation or clarification. Additional estimates may be requested as needed.

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What is in the estimate packet?

Cover Letter lists the documents within the estimate packet and the order of steps for submitting the retirement estimate election.

Retirement Allowance Estimate – outlines retirement date, service years, and monthly benefits for five plan options.

Explanation of the Five Retirement Plan Options describes how Client's Account balance is distributed to beneficiary(ies).

Average Salary Calculation Sheet (if tiered calculations used).

EESIP Projection provides a comparison of benefits for different years of retirement if client may be eligible for EESIP.

A Partial Lump Sum Option Statement (PLSO) – provided if 30 or more years or more of service has been credited to the account. It will outline the five different plan option benefits into four columns of choices for lump sum options (20 possible options). The amount of PLSO is deducted from Client Account balance of contributions. The PLSO amount may exceed the amount of employee contributions in the Client Account.

How do I begin my retirement?

1. Contact our office via website or phone to request a retirement allowance estimate to be mailed to you. Estimates requested in the fall season during last school year tend to be the most accurate since only the last salary would need estimation.
2. Review the options for retirement and indicate the plan option at the bottom of the *Retirement Allowance Estimate*. If the client had 30 or more years of service, the PLSO form indicating choice of lump sum option must also be completed and signed by both client & client's spouse (if married).
3. Submit a *copy* of your proof of birth (i.e., passport or state-issued birth certificate). Include your annuitant's proof of birth if you elected Option 2 or Option 3 (joint survivorship).
4. Mail the completed *Retirement Allowance Estimate* and the *PLSO Election* (if applicable) back to Oklahoma Teachers Retirement along with proof of birth documents within 3 months of your retirement date (return June 1 estimate on or after March 1).
5. Once the estimate is received by the System, the retirement contract packet will be mailed to client. The packet will contain forms for direct deposit, spousal consent, and tax withholding in addition to the retirement contract.

6. The signed and notarized contract must be submitted no later than first day of the month preceding the retirement month (i.e. a June 1 retirement contract is due no later than May 1). ***No grace period is given for weekends or holidays.*** Contracts returned after the due date will postpone the retirement date.
7. The contract may be revoked or changed **before** the date of retirement. Any change or revocation must be in writing, delivered to the System or postmarked prior to the effective date of retirement. If client is requesting a different plan option for same retirement date, then the new contract must be signed before the retirement date. The contract is binding on the date of retirement without a right to make a later change.

POST RETIREMENT

How do retirees receive monthly payments?

Effective January 1, 2000, newly retired clients are required to receive monthly benefit payments via electronic fund transfers to a banking or financial institution. The retiree must complete a direct deposit form provided by the System.

The monthly benefits and withholdings are paid in arrears (i.e., July 1 payment pays for June retirement and June health insurance). Monthly benefit payments are paid the first day of each month to all eligible retirees; however, electronic transfer may take place early (the last day of the previous month) if the 1st of the month falls on a weekend or a holiday.

Clients should promptly notify the System of any changes that affect their retirement accounts. *Changes in address, tax withholding, or direct deposit must be provided in writing and signed by client.* If received by the System on or before the 15th of the month, then changes will be processed and reflected in the next month's payment. Change requests submitted after the 15th may not be processed until the following month. Forms are available on our website and signed forms may be faxed.

Is there a health insurance supplement available?

Clients who retire or terminate employment with at least ten years of creditable service may be eligible to continue the insurance provided by their employer. If the same insurance is continued into retirement, the System will pay a supplement of $100 - $105 (depending on length of service and final average salary at retirement) toward the client's health insurance premiums. This supplement will be suspended if retirement insurance is suspended, or stop if retirement insurance stops.

For information about your health and life insurance coverage, contact your employer or your insurance company for proper forms and instructions. Timely paperwork will allow smooth transition from active insurance to retired insurance. Charges for retiree insurance should begin when active insurance is no longer provided through client's employer. Oklahoma Teachers Retirement pays the retirement benefit in arrears; therefore, the System also pays health insurance premiums in arrears (i.e., the September 1 retirement check pays Augusts' retirement benefit and insurance premiums).

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Post-retirement employment: What if I return to work?

Other than disability retirement, there are no restrictions on post-retirement employment with an agency or institution that does not participate in the Oklahoma Teachers Retirement System. However restrictions do apply to retirees who return to work within 36 months of retirement for an employer that participates in the Oklahoma Teachers Retirement System. Employers must remit contributions for employer's share (to general fund) on retirees. Retirees must adhere to the following restrictions or forfeit benefits received during their post-retirement employment:

60-Day break between employment and retirement**.** A retired client is not eligible to be employed by the public schools of Oklahoma, in any capacity, for sixty (60) calendar days between the retiree's last day of pre-retirement public education employment and post-retirement employment. Employment during the 60-day break will cause the forfeiture of all retirement benefits received during this period.

Post-Retirement Earnings Limit – Retirees who return to work in public education within 36 months of retirement are restricted to the following calendar year (Jan-Dec) earnings limits:

- Retirees under age 62 and retired fewer than 36 months may earn the lesser of $15,000 or one-half of the final average salary used in calculating the retirement.
- Retirees age 62 and older and retired fewer than 36 months may earn the lesser of $30,000 or one-half the final average salary used in calculating the retirement.

Post-Retirement Earnings Limit May Be Prorated. Since post-retirement earnings limits are based on a calendar year (Jan-Dec), earnings limits are prorated when return to employment occurs in mid year. Retirees should request a post-retirement schedule to calculate the exact amount of eligible earnings and submit it to Oklahoma Teachers Retirement. Proper notification may prevent penalties on benefits paid after earnings limits are met.

Returning to Active, Contributing Status **–** To add service credits and increase retirement benefit, a retiree may elect to stop his retirement and return to active, contributing status. The client must notify the System of intent to stop retirement benefit for the month of July (return the August 1 check) and suspend retirement benefits until employment is terminated for the second retirement. Contributions to the Client's Account continue in the same manner as other active contributing members.

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Reinstating Retirement Status. Upon termination of employment, the previous monthly retirement will be reinstated and a supplement calculated to include credit for any additional qualifying service. The retirement option election of the original retirement contract applies and the reduction percentage used on the original retirement (due to early retirement election, PLSO election, and/or other retirement options) will be applied to the supplemental amount as well.

Supplemental Retirement Benefit. The supplement is calculated based on the same retirement formula for the additional years: Extra years x 2% x FAS. However, if the more recent salary(ies) exceed the FAS used in the original retirement, then the higher salary(ies) earned in supplemental service years will be used to calculate the additional benefit on the *supplemental years* worked. Supplemental service years do not qualify for the incentive offered through the EESIP or for an additional lump sum distribution through the PLSO election.

SURVIVOR BENEFITS

What survivor benefits are available?

A survivor's benefit of $18,000 (for an active account) or $5,000 (for a retired account) is provided at no cost to the client, and it is paid to the beneficiary in addition to the contributions available in the Client Account. Clients may submit one beneficiary form for all the benefits through Oklahoma Teachers Retirement, or the client may submit a separate beneficiary form for the suvivors benefit amount. To name a separate beneficiary for the survivor benefit amount, the client would need to complete a separate beneficiary form indicating that this beneficiary form is for "*SURVIVORS BENEFIT ONLY*."

Death of an active, contributing client. A survivor's benefit of $18,000 shall be paid in equal shares to the designated beneficiary(s) along with the Client Account balance of contributions and applicable interest. If the client qualified for retirement at the time of death and the client only listed one primary beneficiary (such as spouse) for both the account balance and the $18,000 survivor benefit, the sole primary beneficiary (if not divorced from the client after date of signed beneficiary designation) may elect to forego the $18,000 survivor benefit and the balance of the Client Account plus accrued interest to retire as the annuitant under the Option 2 retirement plan and receive a lifetime monthly benefit.

Death of an inactive client. The designated beneficiary(ies) of inactive clients is entitled to receive the Client Account balance of contributions and applicable interest, but no survivors benefit.

Death of a retired client. A survivor's benefit of $5,000 shall be paid in equal shares to the designated beneficiary(ies) along with the provisions of the client's retirement option. Retiree may name a different beneficiary for the $5,000 survivor benefit than is named for the retirement plan option.

Is the survivor benefit taxable income?

The survivor benefit of $18,000 for an active, contributing client or the survivor benefit of $5,000 for a retired client is taxable income to the beneficiary; therefore, a 1099R form will be provided for tax purposes. A funeral home may be designated as the beneficiary so that family members are not taxed on this benefit; however, payment will be made to the designated beneficiary(ies) without regard to services promised or rendered. For this reason, it may be wise for clients to set up a written agreement with the funeral home before naming a specific funeral service provider as a beneficiary for any portion of the client's retirement account.

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Annuitant vs. Beneficiary: What's the difference?

Upon death of the client, an annuitant will continue to receive a monthly benefit for the remainder of the annuitant's life, whereas a beneficiary will receive a payout for a limited dollar amount. An annuitant (only one person) is designated by client at retirement on the retirement contract under retirement plan Option 2 (for 100% joint annuity) or Option 3 (for 50% joint annuity). Once retired, the annuitant cannot be changed. A new or secondary annuitant may not be named to continue receiving the lifetime benefit. If the named annuitant dies before the client, the client will "pop up" or revert to the maximum retirement plan for the reminder of the client's life. If the annuitant dies after the client but before the Client's Account balance is depleted, then a beneficiary or the estate will be awarded the balance of the Client Account.

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